



Quarterly Revenue Update

December 2001



Robert Hagedoorn, Chief Economist
Montgomery County Department of Finance

This report is a quarterly publication that provides an update on the collection of the County's major revenues. For questions, please call (240) 777-8866

- **Half-Year Results.** Collections for the first two quarters indicate 15.3% growth compared to the same period in FY01. This compares to a revised forecast for the entire fiscal year of -0.5% for the selected revenues shown in the table. It is important to note that collections are received throughout the fiscal year on either a monthly or quarterly basis. In some cases, late payments or payments received on the last day of the month may not be recorded until the next month and distort comparisons.
- **Income Tax.** Collections for the first six months are 5.9% above the same period last year. This stronger growth is the result of two payments received for tax year 2000, close to three-quarters of which is due to the lack of a similar distribution last year. Both quarterly distributions from withholdings and estimated payments, on the other hand, reflect a modest decline compared to last year. The final factor that contributed to growth is higher receipts from penalties & interest, and fiduciary, the former as a result of a new refund interception system that allows the State to offset IRS refund checks (e.g., recent \$300 or \$600 rebate checks) against outstanding tax liability or debt, and the latter as a result of accelerated processing that is expected to negatively impact the next installment.
- **Property Tax.** Collections are 23.4% ahead of last year, and reflect both installment payments for the semi-annual property tax levy. Even though the amount collected is considerably greater than what was collected in the same period last year, the FY02 amount is right on target with the full-year growth estimate of 3.1% reflecting 90% of total fiscal year receipts through December. The reason for the large difference in partial year receipts between FY01 and FY02 is due to late tax collections last year, which understated the historical cumulative amount traditionally collected in the first six months, as receipts were not recorded until the subsequent month.
- **Transfer and Recordation Taxes.** A rebound in the residential real estate market pushed the transfer tax considerably above last year. However, even though the number of residential transfers increased only 4.6% above last year, the trend is still for residents to move up into higher priced houses, while the lack of supply is pushing up sale prices at rates not seen since the late 1980s. This ability to move-up is, in part, due to low financing costs as mortgage interest rates have fallen to rates last seen in the 1960s. As a result, the average residential transfer tax jumped 13% in FY02 to date compared to one year ago and is the primary reason for the growth in transfer taxes. Similar to the residential sector, a sharp jump in the sale of higher priced commercial properties compensated for, in this case, a 66.3% decline in the number of non-residential transfers. Recordation tax collections are higher due to the strong residential real estate market, an unprecedented jump in mortgage refinancing, and the County having taken over the administration and collection from the Circuit Court as a result of which collections to date reflect six months of receipts instead of five last year.
- **Other Taxes and Highway User Fund.** Most collections are close to last year, with the exception of the energy tax that is well above last year, but close to the estimated collection amount for this period. As projected, collections for the hotel tax are well below the same period last year, reflecting a hospitality industry that has been particularly hard hit by the national recession and the 9-11 terrorist attack.
- **Investment Income.** Reflecting eleven consecutive interest rate cuts last year, investment income yields fell from 6.6% to just 2.2% between December 2000 and 2001. Moreover, yields continue to slide as investments mature and are re-invested at lower rates. Correspondingly, earnings have fallen 54% below the same period last year.

MONTGOMERY COUNTY
MAJOR REVENUE COLLECTIONS
FISCAL YEAR 2002

<u>TAXES:</u>	REPORTING			VARIANCE	PERCENT	FY02	REVISED			VARIANCE	PERCENT
	PERIOD	FY02	FY01	FY02 / FY01		CHANGE		FORECAST	FY00	FY01 / FY00	
INCOME	DECEMBER	305,941,617	288,914,783	17,026,834	5.9%	1.1%	274,513,605	14,401,179	5.2%		
PROPERTY	DECEMBER	576,688,921	467,212,360	109,476,560	23.4%	3.1%	505,766,324	(38,553,963)	-7.6%		
TRANSFER	DECEMBER	39,144,132	32,097,750	7,046,381	22.0%	-3.3%	33,511,384	(1,413,633)	-4.2%		
RECORDATION	DECEMBER	24,303,299	12,360,733	11,942,566	96.6%	-4.3%	15,469,755	(3,109,022)	-20.1%		
FUEL/ENERGY	DECEMBER	6,192,370	5,411,864	780,507	14.4%	1.8%	5,553,746	(141,882)	-2.6%		
HOTEL/MOTEL	DECEMBER	4,229,428	5,604,666	(1,375,239)	-24.5%	-35.5%	4,362,476	1,242,191	28.5%		
TELEPHONE	DECEMBER	1,872,697	1,925,160	(52,463)	-2.7%	3.6%	1,709,539	215,621	12.6%		
ADMISSIONS	DECEMBER	1,067,489	1,142,345	(74,857)	-6.6%	11.4%	1,116,949	25,396	2.3%		
<u>MISCELLANEOUS:</u>											
INVESTMENT INCOME	DECEMBER	12,514,730	27,242,170	(14,727,440)	-54.1%	-58.2%	23,765,860	3,476,310	14.6%		
HIGHWAY USER	DECEMBER	10,636,428	10,474,252	162,176	1.5%	-2.4%	9,231,665	1,242,586	13.5%		
<u>TOTAL</u>		982,591,110	852,386,084	130,205,026	15.3%	-0.5%	875,001,302	(22,615,218)	-2.6%		